

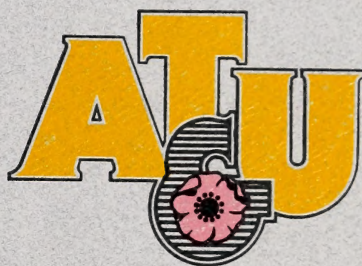
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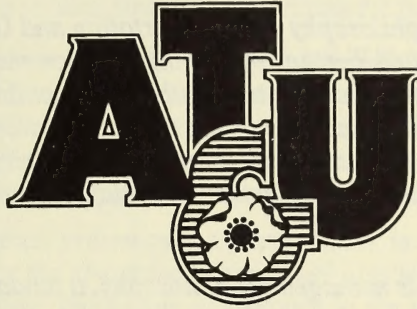


STRATEGIC

DIRECTIONS

'90 - '92





Strategic Directions *1990 - 92*

Alberta
TRANSPORTATION AND UTILITIES

MANAGEMENT PHILOSOPHY:

The management philosophy of Transportation and Utilities is to maximize service to Albertans by moving decision-making as close to the point of implementation as possible. This philosophy is founded on the belief that the success of the department is based on the initiative of individuals at all levels. The integrity, and high standards of conduct of management and staff supports the delegation of authority.

Consistent with this management philosophy, a fundamental principle of the department is it's decentralization, to the regions, of the authority to effectively satisfy the transportation requirements of Albertans.

Within this context, planning keeps the department pulling together in the same direction and helps foster a co-operative spirit. The strategic planning process in Transportation and Utilities aims to maximize the input, participation, and responsibility, of managers and staff throughout the department for the development of objectives and plans for the upcoming years, and the realization of their implementation.

Letter of Introduction

April 1990

I am pleased to introduce to you, Strategic Directions 1990-92.

This year's Directions outlines three key trends that will shape our many priorities in the early nineties: continued fiscal restraint; human resource challenges and opportunities; and a growing public focus on environmental protection. To successfully manage these trends, we need to modify some of our policies, programs and practices, and equip our organization with new management approaches, skills, expertise, and technologies.

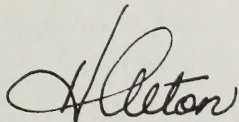
The departmental objectives, presented in Chapter 5, are intended to unify our efforts in managing these trends for the upcoming years. They also show our continued emphasis on forward planning, safety, enhancing our service to the public as well as to internal clients, and providing policy leadership for Alberta.

Each of us will play a role in making the implementation of these objectives successful. It is also hoped that Strategic Directions 1990-92 will provide a basis for setting of goals and objectives within our divisions, branches and field offices.

The department's mission statement and goals, shown on the following pages, have been clarified. A new goal has been added emphasizing our need to continually review current policies and practices in light of a changing world. We also emphasize improved working relationships with the public, and the need to work effectively and in harmony with them.

Strategic Directions was finalized by executive committee, with each member seeking input from their respective divisions. Similar to last year, focus groups also provided the executive committee further insight. Once again, Directions were formulated through a team effort and reflect a department-wide perspective on the next few years.

As I look ahead, the challenges are clear and the opportunities many. I look forward to working with you in meeting these challenges, and helping to capitalize on our opportunities.



Harvey M. Alton
Deputy Minister
Alberta Transportation and Utilities

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MISSION:

***Our mission is to provide Albertans
with an efficient, integrated transportation system,
and access to utility services,
which support Alberta's
social and economic well-being.***

GOALS:

What: For the Businesses We Are In


1. To provide **high quality** transportation and utilities systems and services to the public.
2. To improve the **efficiency** and **safety** in the movement of people and goods.
3. To maintain or upgrade the **level of service** of existing transportation and utilities systems for Albertans.
4. To continually update our policies, programs, standards, procedures and practices to enable us to **effectively manage emerging opportunities and challenges**.

Who: For Our Client Relationships

5. To **work effectively and in harmony with** municipalities, industry and **all publics** to ensure that our programs and services are effective in meeting the priority needs of Albertans.

How: For Our Internal Efficiency

6. To promote **productivity, competence, motivation** of our people, and **efficiency** in the use of our resources through effective management practices, innovation, research and technology.



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Part 1

***The Strategic Planning
Process***

1. The Strategic Planning Process

The strategic planning process for Alberta Transportation and Utilities is an annual cycle which establishes objectives for the upcoming period and sets in motion department-wide action planning to achieve those objectives. The achievement of major objectives often requires input into budgeting. Implementing the objectives and monitoring the results completes the sequence.

Reflecting the department's management philosophy, all managers have responsibility and control over the planning activities in their divisions, branches and sections. Executive Committee provides the direction for planning, and the Strategic Planning Branch plays a supporting and co-ordinating role for Executive and management.

Phase 1 Information Base for Planning: Mission and Goals Outlooks and Implications

In today's environment, a 2-3 year planning horizon allows the department to manage and adjust to changing needs in a responsive, pro-active manner. The department's mission and goals generally change only with a basic change in mandate, such as the recent addition of the Transportation Services group from Economic Development and Trade.

The Outlooks and Implications review covers trends and issues in both the external and internal environment during the planning horizon and is reviewed and finalized by Executive Committee. Focus groups participate in identifying the significant issues facing the department and may also be requested to make presentations to Executive Committee.

Phase 2 Department Objectives

The department's objectives are the major initiatives to be accomplished within the planning horizon. Departmental objectives are developed by Executive Committee with input from the Outlooks and Implications review and other forums, such as the focus groups.

Phase 3 Division and Branch Planning Sessions

The Outlooks and Implications and Departmental Objectives are distributed to management through the *Strategic Directions* document. This sets the stage for the planning sessions across the organization in which divisional and branch objectives for the planning horizon are developed.

Phase 4 Budgeting

Major objectives established through the planning sessions may require the allocation or reallocation of resources. In this manner, the strategic planning process provides direct input to budget planning.

Phase 5 Implementation and Monitoring

Monitoring achievements against approved action plans is an important part of implementation. Executive Committee holds mid-year and year-end reviews to monitor progress in achieving departmental and divisional objectives. The strategic planning process itself is also reviewed and modified to ensure that it continues to serve departmental planning requirements.

Strategic Planning Process Activities

	Activities Related to the 1990-91 Budget Year	Activities Related to the 1991-92 Budget Year
Fall 1989	Phase 4: 1990-91 budget decisions finalized	Phase 1: Information base for planning developed
Winter 1990	Phase 4: 1990-91 budget decisions finalized	Phase 2: Department objectives developed
Spring 1990	Phase 3: Division and Branch planning sessions held: • finalized objectives and action plans for 1990-91 given budget decisions	 • objectives for 1991-92 (and beyond where appropriate) developed; action planning to achieve these objectives initiated
Summer 1990	Phase 5: Implementation and monitoring of 1990-91	Phase 4: Budget planning and preparation for 1990-92

PART 2

**Today's Alberta
Transportation and
Utilities**

2. Today's Alberta Transportation and Utilities

Alberta Transportation and Utilities is a large department in terms of both budget and manpower. Our decentralized organization structure aids in the efficient delivery of infrastructure and services to Albertans. The total department budget in 1990-91 is just under \$900 million. The department employs over 2500 Albertans on a full-time basis, and many more in seasonal and contract positions. Our workers and their families contribute to the well-being of over 100 communities throughout Alberta.

The department is divided into five divisions:

- **Engineering and Operations;**
- **Support Programs;**
- **Motor Transport Services;**
- **Planning and Development; and**
- **Administration.**

In order to enhance the co-ordinated development and delivery of the department's capital construction and maintenance programs, the **Engineering and Operations Division** is headed by a Senior Assistant Deputy Minister. The primary focus of the **Engineering** portion of the division is to provide expert support in the planning, design, contracting and construction of the province's Primary and Secondary Highway Systems.

Regional Operations is responsible for the development, scheduling, and fiscal control of major capital programs, as well as project management of construction and maintenance of the provincial highway system. Project management and highway maintenance is handled by six regional offices, further divided into fifteen districts strategically located throughout the province, and accounts for about two-thirds of our workforce.

The **Support Programs Division** manages distribution of the department's grant and loan programs to local government authorities, cooperatives, and individuals. These programs support urban transportation, municipal water and sewer systems, and rural municipal roads; gas utilities and electric systems. Programs also provide assistance for higher fuel costs in rural areas and to seniors, and assistance for capital costs of rural water transmissions systems.

Motor Transport Services Division, in its commitment to ensure a safe motoring environment, has played a significant role in implementation of the national safety code. The division offers a variety of programs and services as support for the motor transport industry and the travelling public.

The **Planning and Development Division** provides leadership and coordination for the development of policies, programs and plans, and the application of new technologies and information systems in departmental operations. The overall purposes of the division are to provide recommendations to government and direction to the department to meet the challenges and opportunities of a changing environment.

Effective 1990-91, the mandate for transportation policy development for all modes was consolidated in the department. To achieve this consolidation, certain responsibilities and staff have been transferred from Alberta Economic Development and Trade

The **Administration Division** provides personnel, financial and other general support services to the department. The current focus of the group is to streamline administrative processes to enhance the

delivery capabilities of those divisions responsible for the services and products of the department. This division is respon-

sible for ensuring that all legislative and administrative policy requirements are met.

PART 3

***Outlooks and
Implications***

3. Outlooks and Implications, 1990 - 92

"Chance Favors the Prepared Mind"

This chapter identifies key trends, uncertainties, and practical implications for the department: of changes in the economy; the environment; our provincial population; and department manpower. The time frame is 1990 to 1992.

Steady growth predicted for our provincial economy and population does not mean slow change for the department. Fundamental policy changes, manpower changes, technology changes, and a new environmental focus will keep us challenged in the near term.

3.1 Economic Outlook: World and Canada

Strengths

Alberta's economy will continue to be shaped by large-scale, world-wide trends. Implementation of free trade with the U.S., establishment of a new Asia-Pacific trade group, an integrated European economy in 1992, and new prospects in eastern Europe are key positive world events which will have broad and specific effects on Alberta and our department.

Technological change will also continue to have fundamental effects on how people and goods move in Alberta, and on direct delivery of department programs. Support for capital investment in technology improvements, skills upgrading and changing manpower requirements are key department challenges.

The critical point about globalization and technological change is that these forces

provide an underpinning for growth in the economy.

Weaknesses

Slow Growth in the Economy of Trading Partners

Slower growth in the economies of Alberta's key trading partners will be a third broad theme of 1990 - 92. Canada's real economic growth is forecast to decrease from 5% in 1988 to 3% in 1990. The U.S. economy is also expected to slow to a modest 2% growth rate in 1990. A Canadian recession in 1990 is a real possibility.

Alberta's economy is increasingly tied to prospects in other countries, but remains closely linked to the fortunes of other parts of Canada. Slower growth for our key trading partners will limit the upside for Alberta's economy.

Oil Prices

World oil prices averaged US\$20 per barrel in 1989, up from US\$16 in 1988. Although these prices may hold, over the longer term, the beginning of 1990 has seen modest decreases in oil prices. 1990 will be an important test for price stability.

The Drag of Debt Loads

Increasing debt loads in North America, relative to the size of the economy (Gross Domestic Product, or GDP), will constrain future growth. In the U.S., total public and private debt has recently grown to about 1.8 times the size of the economy, compared to a long-term average of 1.4.

In Canada, public and private debt has grown from 1.4 times the GDP in 1975 to

twice the size of the economy today. High debt service payments are one result. These payments will provide a consistent drag on economic growth, and keep pressure on interest rates.

Principle Uncertainties

Green Movement

Intense interest on environmental issues has swept the industrialized world. There are factors which suggest that the "green movement" will be institutionalized. Pollutants and greenhouse gases know no boundaries. Alberta will be driven by national and international forces as well as local concerns. What is uncertain is the extent to which this renewed focus on the environment will be translated into concrete actions affecting Alberta, what these actions will be, and what will be the effect on our local economy and quality of life.

Transportation fuel consumption worldwide continues to climb, and is increasingly looked at as a key element in the struggle to reduce air pollutants. We could see a shift in the mix of modes used in intra-urban and inter-city travel as the private automobile becomes more costly to use.

World Outlook Conclusions

Three conclusions of the world trends stand out. First, there will continue to be an export theme to our major infrastructure investments, whether it be support for forestry developments, access for farm products to world markets, or twinning Highways 2, 3 and 4 in southern Alberta. The timing will depend on uncertain market forces, this has implications for departmental planning.

Second, productivity improvement will continue to be driven by applying the best available technology, and pushing back the

frontiers of engineering in areas of selected expertise.

Third, environmental matters are likely to be on the forefront nationally and locally. This has implications for the department's major capital projects and grant programs (eg. transit/road modal choice). One likely consequence is longer lead times and more thorough public consultation to develop major industrial and department projects.

3.2 Economic Outlook: Alberta

Overall Forecast

Steady Growth Consensus for Alberta in 1990 - 1992

Recent economic forecasts for Alberta largely parallel those for the remainder of Canada and the U.S., which show a slowing of growth. However, the view for Alberta is a more optimistic one than for many other areas. The Alberta economy grew rapidly in 1988, but slowed to about a 2.5% real growth rate in 1989, similar to the Canadian average. In 1990, Alberta will have one of the fastest growing provincial economies, with real economic growth of about 3%.

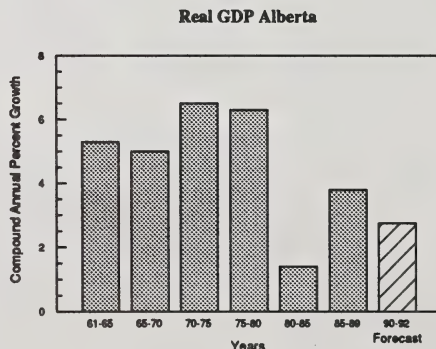


Fig. 1 Real Growth of 3% in Early 1990s

Strengths

Strong Investment Outlook

Alberta's economic strengths start with a positive investment outlook. This is broad-based, including continued major investment in forestry projects, natural gas pipeline capacity, petrochemical projects, other energy related investments and housing.

Strong U.S. Demand for Natural Gas

Strong U.S. demand for Alberta natural gas, and prospects for higher export prices, suggest natural gas will be a bright spot for energy investment, and for provincial revenues.

Employment Growth

Employment growth in Alberta has slowed from 3.5% in 1988 to 2% in 1989. It is expected to be 1 - 2.5% annually in the 1990 - 92 forecast period, which is slightly faster than population growth.

The Good Side of a Weaker Canadian Economy

A weaker economy in central Canada may pave the way to a lower exchange rate for the dollar, lower inflation, and thereafter, lower interest rates. Each of these are good for Alberta's capital-intensive and export-dependent economy. Investment in Alberta would be encouraged.

Weaknesses

There are weaknesses in the Alberta forecast. Conventional oil production began to decline in 1989, and is expected to continue to fall in the forecast period. Growth in non-conventional production, such as oil sands, is highly dependent on uncertain oil prices.

Although growth in consumer spending in Alberta in 1989 was second only to B.C., the 7.2% rate was slightly lower than 1988. Lower growth in consumer spending in the 1990's is expected. Alberta Agriculture also forecasts that net farm income will not be as strong in 1990 due, in part, to the Federal government's recent announcement to reduce transfer payments.

Principle Uncertainties

Forestry Investment

While a number of forestry projects remain at the proposal stage, their timing is uncertain. The key questions relate to the cumulative impact of pulp projects on Alberta's rivers, and the general outlook in world pulp markets.

Oil and Gas Investment

The risks on oil and gas investment are on both the upside and downside. On the upside, if oil prices remain above US\$20 per barrel, and gas export prices increase as expected, real energy investment will also increase. This is still one of the critical factors determining real growth in Alberta's economy.

As part of their deficit reduction strategy, the Federal Government has withdrawn support from the OSLO project. This, combined with the previously stated need for real increases in oil prices, increases the uncertainty of the project. In conventional oil, industry officials forecast a greater role for the smaller companies in exploration and development, and a smaller role for the large multi-national companies. One consequence may be lower crown revenues, because of lower royalty rates for newly discovered oil and for small companies.

GST; go or no?

The Alberta Government opposes the Goods and Service Tax (GST). Reduction

of the initial GST rate to 7% is forecast to take out most of the short-term inflation sting. The key uncertainty is whether the mere prospect of the GST will boost wage settlements, and thereby set off a multi-year round of increased inflation, higher interest rates and a weaker overall economy.

Inflation

Wage rates in Canada were rising at a 5.7% annual rate as of September 1989, up two full percentage points from the 1987 rate. Alberta's wage inflation is also heating up, especially in the construction sector which saw an 8.8% rise over 1988 levels. Wage inflation is a key concern of the Bank of Canada in its long-term goal to achieve good economic growth with zero inflation.

Recent job layoffs (particularly in eastern Canada), slower economic growth in 1989, and a lower GST start-up rate, are early signals that wage inflation pressures may subside. Lower inflation would give the Bank of Canada reason to lower short-term interest rates.

Alberta Economic Outlook Conclusions

Real growth is expected to be remain positive in Alberta for 1990 - 92, in the range of 3% per annum. Natural gas and investment are seen as strengths; conventional oil production and consumer spending as weaknesses. Investment in oil sands and forestry, together with the risk of rising inflation are the main uncertainties.

3.3 The Alberta Fiscal Environment

The provincial budget deficit for 1990-91 is estimated at \$780 million, a reduction of \$1 billion over the previous year. The province's fiscal objective, to move toward a balanced budget by 1991-92, was con-

firmed in the 1990-91 budget address. The province's strategy to reach a balanced budget is now focused on controlling the cost of government. The success in achieving the goal of a balanced budget is perhaps the most critical issue which will affect this department.

Strengths

There are reasons for optimism. They depend on a combination of real economic growth, higher natural gas revenues, and spending restraint.

Real growth of 3% in the economy will translate into growing provincial revenues. Widely forecast higher export prices and increased export volumes of natural gas to the United States will increase provincial royalty revenues.

Weaknesses

There are important risks in the provincial revenue outlook. First, interest rates have remained stubbornly high as inflation fails to subside, and the Bank of Canada remains resolute in promoting long-term price stability. This has added to our debt servicing costs and may temper short-term economic growth. A slower provincial growth rate, linked to a slower Canadian economy, would limit growth in provincial revenues.

In recent years, oil and gas sources have contributed a declining share to provincial government revenues. Even with higher natural gas exports and prices, it is difficult to see this source of fiscal strength rebounding to levels of the 1970s and early 1980s. We appear to be in a fundamentally different period of provincial government finance.

Principle Uncertainties

The uncertain prospect of the GST is a clear negative from the viewpoint of provincial revenue. If there is a GST, the federal government will move more aggressively into consumption taxes, an area which used to be left largely to the provinces.

*"Ultimately, the federal government may end up controlling two-thirds of both income and consumption taxes. This, combined with federal retrenchment on transfer programs (eg. health and post-secondary education), means the provinces will have less ability to meet particular needs of their citizens."*¹

Federally sponsored tax increases limit the options remaining for the provincial treasurer to raise revenues and thereby reduce the provincial deficit. Furthermore, negative public reaction to the GST may have more to do with an unwillingness by taxpayers to pay any increased taxes, than it has to do with opposition to the GST.

The strategic question here is, are we hitting the limits of new taxes, leaving expenditure restraint as a more important mechanism to reduce deficits?

Health and education are often stated as government priorities. They currently absorb 48% of provincial program spending. If health and education spending remains a priority, the remaining departments, representing 52% of government program spending, will need to absorb a larger share of the burden of any planned spending restraint.

Fiscal Environment Conclusions

Alberta's deficit cannot to be eliminated by natural growth in provincial revenues

- 1 Protecting Alberta's Future... Why We Oppose the Federal Goods and Services Tax (GST), The Honorable Don Getty, Premier, The Honorable Dick Johnston, Provincial Treasurer. November 1989, page 19.

alone, or by provincial tax rate increases. Spending restraint for government departments has been highlighted in the 1990-91 budget address as a prominent feature of the upcoming years.

The general theme of spending restraint suggests we will need to identify areas where costs can be reduced, or services eliminated. Incentives for management to control spending will need close examination. Cost recovery may also see increased emphasis. Within this overall environment of spending restraint, we will still want to move forward in some new areas.

A major uncertainty is whether this department will share a disproportionate burden of spending restraint. We will need good long-term plans of system and grant requirements, so that we can clearly communicate Alberta's transportation and utility needs to decision makers.

3.4 Demographics and Traffic

Demographics

Alberta's birth and death rates are both gradually declining, but population growth will continue to be sustained by a slow,

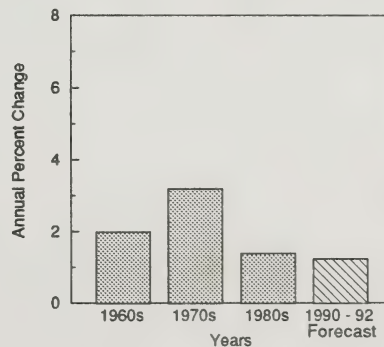


Fig. 2 Population Growth of 1 - 1.5%

steady increase in immigration, which is expected to continue into the 1990s.

During the mid 1980's, more people left Alberta than came from other provinces. This trend has turned around in 1989 with Alberta's relatively strong economic climate. Alberta's population should thus grow slightly faster than the Canadian average, at between 1% and 1.5% per annum.

Over the long-term, the ratio of elderly individuals to the working population will increase, but the child ratio will decrease. This aging population structure will have very different needs from today. The trend is for our elderly to be increasingly educated, mobile, healthy, and have a substantial amount of disposable income. This will affect traffic growth and movements, signing standards, highway standards, and demand for programs specific to seniors needs (eg. transit, utility support).

Traffic Growth

Traffic growth on Alberta's highways has totalled 14% in the five years from 1984 to 1989, exceeding growth in employment and population. This trend is expected to continue with traffic growth in the order of 2% annually for the 1990 to 1992 period.

Demographics and Traffic Conclusions

Population and traffic growth will continue at a moderate pace in the early 1990s. Population growth will average under 1.5% annually, while traffic growth will be slightly higher, at 2% per year. Higher than average growth in the number of elderly will influence design standards and programs.

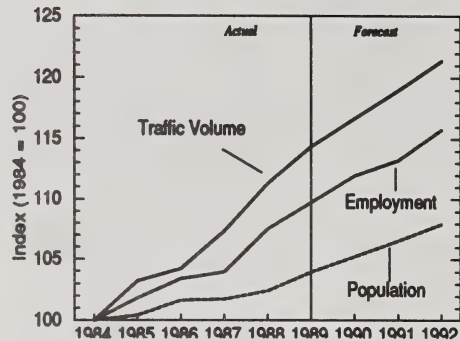


Fig. 3 Traffic Volumes up 14% from 84 to 89

3.5 Manpower and Organization

Changing Roles

A more highly educated labour force, combined with new technology, will drive employees to want more control over their work, particularly where the job requires higher skill levels. Further demands may arise from changing attitudes. Polls conducted in Europe indicate a trend in the goals of middle ranking managers. They are now more focused on "independence" and family life than advancement. Managers are less willing to sacrifice their family/leisure time to climb the corporate ladder. They are also less willing to relocate. Managers are more willing to stay where they are within the organization than move away from their present town or city. The security of a second family income, and pursuit of parallel careers, is affecting these decisions to move.² These changing attitudes could well affect Transportation and Utilities.

Traditional chains of command may change as employees expect to become more involved in the decision making

process. Accommodating this through the increased use of teams will reduce the need for middle and senior management positions, allowing for a flatter organization.

Half of all employees will be information workers with a change in focus from technology processing to information processing and assimilation.

Changing Composition of the Workforce

A greater proportion of people entering the workforce will be women (approximately two-thirds by the end of the century). More women working will increase demands for day care and flexible working arrangements for all employees. Meanwhile, the pool of young workers entering the labour market is decreasing. Employers will face a more competitive recruitment market. Fewer young workers combined with an aging work force have resulted in an increase in the recruitment of retired people and the provision of work alternatives.

Department Workforce Composition

Fiscal restraint may imply a leaner department than in the past. However, the department's age structure offers opportunities for organizational change and individual advancement within an overall environment of fiscal restraint.

As shown in Figure 4, the department's demographic profile generally parallels the provincial age structure. However, it also shows that in the next few years the department will have a significant number of workers eligible for retirement at age 55, more than the Alberta average. This will create important opportunities for advancement, especially since the older employees tend to be in more senior managerial, professional, technical and clerical posi-

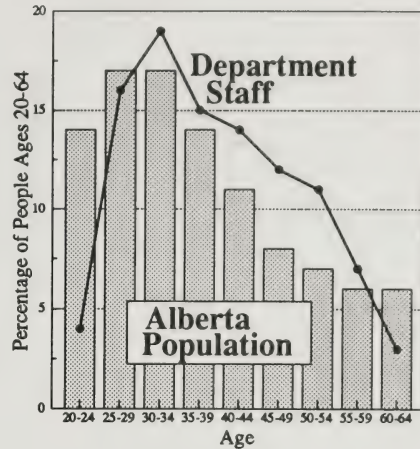


Fig. 4. High % of 40 - 54 Year Olds in the Department

tions. It also creates a challenge to train new managers and supervisors to minimize the loss of valuable experience when retirements do occur.

The department must also retain the skilled workforce which is not eligible for retirement, and match, through position profiling and succession planning, the skills and experiences of our people with the needs of the department. A flatter organization structure suggests individuals will be asked to contribute a broader range of skills, or to work more in a team environment to deliver department programs and services.

The Alberta Government, in its commitment to social equality, will expect departments to show progress on the hiring and promotion of women and disadvantaged minority groups. Further, as more economic development takes place in the north, native people can be expected to seek greater opportunities for employment in construction projects and ongoing departmental operations.

Manpower and Organization Conclusions

In the future, the department will benefit from having people with a broader skill base, more team workers, and more "information" workers. The organization will be flatter, and probably, leaner. A large retiring segment of staff represents a great loss of expertise, but also opens opportunities to re-examine our organization structure, and promote from within. The future also presents us with opportunities to provide more career options for women, natives and disadvantaged minorities.

3.6 Government Policy

The Federal Goods and Services Tax

Purpose of the GST

The Alberta Government is opposed to the federal Goods and Service Tax (GST). However, federal legislation proposes implementation of the GST on January 1, 1991, to replace the more narrowly applied federal sales tax (FST) on manufactured goods, telecommunications, construction materials, tobacco, and alcohol. By taxing a broad range of goods and services, the GST will provide a larger, more stable revenue source to aid the federal government in reducing its deficit. Also, since exports will not be subject to the new tax, the GST is intended to help make Canada's manufactured products more competitive globally.

Tax cascading (tax on a tax) will occur in the transportation sector, since the GST will be calculated on a base which includes federal and provincial fuel taxes and the federal air transportation tax. As well, to the extent that transportation costs influence the cost of living and doing business in more remote areas, the GST will act

as a tax on distance and exacerbate existing problems of isolation.

Concept of a Value Added Tax

The GST is a tax collected every time value is added to a product or service, from production through the distribution system to the retail level. For example, a business pays tax on the good or service used in its work and receives an input tax credit. When the business sells its good or service, it collects the tax and submits it to the government. The business also applies for a rebate based on the input tax credits accumulated up to that point in time. Thus, the sum of the GST collected by each business in the product/service life cycle would be equivalent to a 7% tax at the retail level.

GST Implications for the Department

The GST, like the existing federal sales tax, will not apply to purchases made by provincial governments, nor to provincial regulatory activities, grant or loan programs. Exemption certificates or rebates will be used for the tax paid by provinces on goods or services purchased from the private sector. Since Transportation and Utilities relies heavily on such purchases to carry out our mission, we will bear a greater administrative, and potentially negative cash flow, burden than many other departments.

Contractors, suppliers, municipalities, and rural utilities will also bear administrative and other costs associated with the GST. The department may experience higher prices and new pressures for enhanced grant and other assistance as others try to offset GST costs. Overall, the GST can be expected to impact the department's ability to provide current levels of service to the public.

Free Trade

It is too early to tell the effects of free trade on the Alberta economy. For example, traffic volumes at major border crossings have not increased significantly. Nor are there clear shifts in Alberta's commodity trade with the U.S. attributable to the free trade agreement.

Removal of tariffs is to be accelerated on many products and services. With this acceleration, the effects of free trade may become clearer during the 1990-1992 time frame.

Alberta will continue to place a high priority on economic diversification. However, the free trade agreement limits the tools available to government to encourage diversification. In a free trade environment, public infrastructure investment may play a more important role as a tool for economic development.

Federal Policy and Devolution

The federal government is pursuing a policy of deregulation and promotion of market forces. It is also looking for ways to reduce spending. These forces have led the federal government to divest itself of some of its current responsibilities. The process is called "devolution". Examples in transportation include privatization of Air Canada and leasing of federal airports.

A national policy framework for the trucking industry and airports has been set. Rail policy continues to evolve. VIA rail cut-backs and rail line abandonments may result in the expansion of short line railways under provincial jurisdiction, providing tourist and freight services. Alberta needs to evaluate its role in relation to short-line railways, and overhaul its rail legislation and regulations. New regulatory and other roles may have to be assumed by the department in the upcoming years.

On the highways front, the National Highways Policy review has now concluded its review of funding options. Decisions will be made on whether there will be a national program, or whether there will continue to be federal-provincial bilateral agreements for upgrading Canada's major highways.

A major activity for the department in the upcoming period will be to recommend Alberta's participation and position regarding the Royal Commission on Passenger Transportation. The Commission was established to formulate recommendations regarding a national, integrated, inter-city passenger transportation system to meet Canada's needs in the 21st century, and to ensure that transportation links among Canada's regions and communities are maintained and improved. The focus of the Commission's study will be on the role, structure, potential constraints and financial arrangements of a national multi-modal passenger system. The Commission's recommendations may affect the jurisdiction of the federal government, provinces and municipalities, in terms of their respective legislation, policies, funding arrangements and programs.

Alberta Priorities

The Alberta Government will continue to place priority on diversifying the economy. Ongoing initiatives to enhance the tourism industry, promote the development of resources and develop new markets for Alberta products will continue to shape the department's priorities.

Social policy and quality of life objectives are also major thrusts for Alberta. The Premier's Council on the Disabled is co-ordinating the development and implementation of recommendations to enhance the equality of opportunity and integration of persons with disabilities into broader communities. Transportation will have an important role in achieving these aims.

Government Policy Conclusions

If the GST is implemented, administrative costs are likely to increase, both for us and our private sector suppliers. A GST world may also result in more pressure for help from various grant recipients, especially individuals and smaller-sized utilities, municipalities, and companies.

Federal-provincial relations on transportation are expected to be an area of increased focus for passenger transportation, rail, air and highway issues. Federal devolution policy will imply greater autonomy for the private sector and local or provincial governments.

3.7 The Environment

Background

Governments around the world are responding to environmental problems and the shift in public opinion toward tougher environmental policies. This is also evident in Alberta, where the Environment Minister recently announced that Alberta's new environmental legislation will be the toughest in Canada. A recent survey, summarized in Figure 5, shows that an increasing proportion of Albertans give priority to environmental concerns. This parallels poll results elsewhere in Canada.

Alberta's Legislation

Concern for the environment is based on the knowledge that long term prosperity is a reflection of a healthy environment. To ensure that we can sustain or enhance our current quality of life, we require clean air, clean water and clean land. To meet this goal, the Government of Alberta is drafting new and comprehensive environmental protection and enhancement legislation. Alberta will also be working with other

provinces to harmonize environmental laws and regulations.

The following are some of the guiding principles of Alberta's legislation:

- polluters should pay the costs of preventing and reclaiming their environmental impacts;
- enforcement should be effective and consistent;
- the public should have increased involvement and input in deciding what is right for the environment.

Alberta will also be putting in place strengthened environmental impact assessments (E.I.A.) legislation which will apply to all major projects. These projects will include public and private sector developments such as pulp mills. A new Natural Resources Conversation Board will be established to implement the E.I.A. process.

Global Influence

Indications are that the Earth's temperature is warming due to increased emissions of greenhouse gases. If this trend continues, in addition to increases in tempera-

Should development of the economy take priority over environmental concerns, or vice versa?

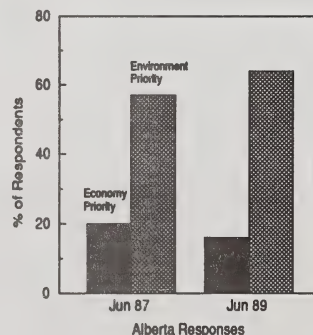


Fig. 5 Albertans' environmental priorities are rising.

ture and precipitation, Alberta may also experience extreme weather events, such as droughts, more frequently than now.

Federal and Provincial energy ministers have agreed to work towards reducing carbon dioxide emissions by 20 percent of 1988 levels by 2005. Measures to achieve such reductions could have significant implications for Alberta which, due to the production of oil and gas and the coal fired electrical generating plants, is the major emitter of greenhouse gases in Canada on a per capita basis. The transportation sector is also a major source of greenhouse gases. New measures to reduce emissions may, in the longer term, encourage the development of new technologies and may affect modal choice. For example, as the combustion of conventional fuels become more costly or subject to restrictions, urban commuters may shift from the private automobile to public transit.

Conclusions

Strengthened environmental legislation and a new wave of public consciousness is bringing new challenges and opportunities to Transportation and Utilities. All staff have a role to play in developing and implementing new, environmentally sound ways to deliver infrastructure, programs and services.

The current review of construction, maintenance and other operating practices, with the objective of enhancing environmental protection, will become a heightened priority for the department. Procurement will also be shaped by provincial environmental initiatives, such as recycling. Departmental thrusts in these areas can be optimized through the wise use of our applied research and technology transfer activities.

Equally important, the successful implementation of changes to policies and practices depends on effective training and communication with our staff and contractors. To effectively manage the development and review of environmental impact assessments, the department will focus attention on the review of its planning processes for capital projects, its available expertise and existing organization structure. The department aims to identify and address any environmental issues early in the planning process so that the infrastructure Alberta requires can be developed while mitigating any negative environmental impacts.

It will also be important in the 1990-92 period that the department remain up-to-date on environmental developments and trends affecting the transportation and utilities systems and sectors. This way, program reviews can be initiated and plans developed to proactively accommodate emerging requirements.

PART 4

**Strategic Trends
1990-92**

4. Strategic Trends 1990 - 92

Broadly speaking, where is the department headed in the next three years? In a rapidly changing world, this is hard to forecast with great certainty. But some general directions have been identified by Executive Committee, and are presented below. These directions fit into three themes: fiscal restraint; management of our human resources; and an increased emphasis on the environment.

4.1 Fiscal Restraint

Fiscal restraint will be an ongoing aim of the public and governments at all levels, shaping the department's activities into the foreseeable future. To support this aim, we must continue to critically review program priorities and structure.

While fiscal realities may be a constraint, new areas of priority will also be emerging. For example, the department will have a growing multi-modal focus, considering the needs of Albertans and Alberta business from an integrated transportation perspective. The needs of persons with disabilities, the elderly and other less-advantaged Albertans will also receive growing priority.

4.2 Human Resources

The department's work force, like that of Canada and Alberta, is aging. There will be a significant number of retirements in the upcoming years.

In one sense, this implies a loss of essential expertise and the need to develop our staff to fill the gap. From another perspective, it offers new career opportunities for our staff, and flexibility for us to implement new ways to achieve fiscal objectives.

Privatization is one option that will continue to be explored and supported where cost-effective. Organizational changes are another. Human resource planning will be one tool to help our managers define the future structure and its resource and skill needs.

Transportation and Utilities will evolve into a leaner, flatter organization. One consequence is further delegation of decision making as close to the point of implementation as possible. This will help ensure that we remain effective in serving Albertans.

4.3 Environment

Protection of the environment will remain a public and government priority at the international, national, provincial and local levels. This will be a major force influencing all of our activities. The public's view of our effectiveness and responsiveness will, in part, be driven by how well we plan and manage to mitigate environmental impacts. To successfully fulfill our mission, we will need to develop an environmental consciousness in all of our staff.

4.4 Conclusion

The trends identified above imply new priorities for us. Some existing programs and practices will change. We will need to equip our organization with new skills, expertise, and technologies.

"Our managers have a critical role to play in shaping the department's future --- its programs, organization, processes, practices, and skills. Only by acting together, can we effectively manage these fiscal, human resource, environmental, and other trends."

- H. M. Alton.

PART 5

Departmental Objectives

5. Departmental Objectives: 1990 - 92

The following objectives define directions for Alberta Transportation and Utilities during 1990-92, and provide guidance for divisional and branch planning. They represent key thrusts to address major challenges and opportunities identified in the upcoming period. The objectives neither encompass all activities for which divisions and branches must plan, nor cover all new activities which may be undertaken in support of government priorities or in response to new opportunities. The achievement of most departmental objectives requires team work and co-ordination across several Divisions.

<u>Target Date</u>	<u>Lead/ Coordinator</u>	<u>Team/ Support</u> (Divisions)*
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5.1 WHAT: For The Businesses We Are In

- | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------|-------------------------------------------------|
| 1. <u>Divisional Objectives</u>
Continue our commitment to strategic and forward action planning throughout the department, and to successfully manage the implementation of our plans. | Each fiscal year | Each Division | |
| 2. <u>Long Range Transportation Systems Plan</u>
Continue to develop an integrated transportation systems plan which will provide early guidance for physical planning, program development, construction programming, and long range priority setting. | March 31 1991 | Planning & Development | Eng,
Reg Ops,
MTS,
Admin,
Sup Prog. |
| 3. <u>Long Range Program: Primary Highways</u>
Complete development of a long range program and construction schedule, which will complement the long range secondary highways program and systems plan. | Dec. 30 1990 | Regional Operations | P & D,
Eng,
Admin,
Sup Prog. |
| 4. <u>Safety</u>
Continue to recommend and implement initiatives to maintain and enhance highway and driver safety, and to protect public infrastructure. | March 31 1990 | Motor Transport Services | Eng,
P & D. |

* Divisions: Admin = Administration; Eng = Engineering; MTS = Motor Transport Services; P & D = Planning and Development; Reg Ops = Regional Operations
Sup Prog = Support Programs.

	<u>Target Date</u>	<u>Lead/ Coordinator</u> (Divisions)	<u>Team/ Support</u> (Divisions)
5. <u>Program Reviews</u> Recommend program objectives and structures to meet changing needs and support Alberta's goals:			
• water and sewer programs	Sept. 30 1990	Support Programs	P & D.
• agricultural processing industries program	Dec. 30 1990	Support Programs	
• urban transportation program	June 30 1991	Support Programs	P & D.
6. <u>Activities Scheduled to Sunset</u> Effectively manage the wind-up of programs and regulatory activities designated to sunset.	March 31 1992	MTS, Support Programs	Admin.
7. <u>Environment</u>			
a Continue to develop and implement cost-effective policies, procedures, and practices in the department's various operations which protect the environment and support Alberta's environmental goals and initiatives. Communicate these to staff, ensuring that staff are conscious of the environmental impact of departmental operations.	March 31 1992	Engineering	Reg Ops, P & D, Sup Prog.
b. Develop strategies for the department to effectively implement strengthened environmental impact assessments through changes to its planning processes, expertise, and other resources.	Dec. 31 1990	Planning & Development	Eng, Reg Ops.
c. Optimize the department's environmental thrusts through supportive applied research and technology transfer activities.	March 31 1992	Planning & Development	Reg Ops, Eng, Sup Prog.
8. <u>Persons with Disabilities</u> Recommend and commence implementation of initiatives to support Alberta's objectives for improved barrier-free access to transportation for persons with disabilities, including the frail elderly.	Sept. 30 1990	Planning & Development	Sup Prog, MTS.

	<u>Target Date</u>	<u>Lead/ Coordinator</u> (Divisions)	<u>Team/ Support</u> (Divisions)
9. <u>New Policy Mandate</u> Effectively integrate the policy and legislative responsibilities, and the staff transferred from Alberta Economic Development and Trade into the department.	June 30 1990	Planning & Development	All Divisions
10. <u>Royal Commission on Transportation</u> Develop provincial input to this national initiative, with the objective of ensuring that Alberta industry, business and residents will be well-served by an efficient, integrated, inter-city passenger transportation system into the next century.	March 31 1992	Planning & Development	Reg Ops, MTS, Sup Prog.
11. <u>Railway Legislation</u> Recommend updates to the Alberta Railway Act so that the province has in place the legislative framework to effectively respond to future railway developments under its jurisdiction.	Dec. 30 1991	Planning & Development	Eng.

5.2 WHO: For Our Client Relationships

12. <u>Public/Client Input and Communications</u> Strengthen our consultation and communications with the publics and clients we serve by developing appropriate methods and action plans for these purposes.	March 31 1992	Each Division	Public Comm.*
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5.3 HOW: For Our Human Resources and Internal Efficiency

13. <u>Contracting Out/Privatization</u> Continue to recommend opportunities to contract out where cost effective, while maintaining quality standards.	March 31 1992	Engineering	Reg Ops, Admin.
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* Public Comm = Public Communications Branch

	<u>Target Date</u>	<u>Lead/ Coordinator</u> (Divisions)	<u>Team/ Support</u> (Divisions)
14. <u>Organizational Structure</u> Continue to develop a leaner, but effective, organization by taking advantage of opportunities which result from contracting out, retirements, and changing priorities.	March 31 1992	Executive Committee	All Divisions
15. <u>Delegation of Authority</u> Consistent with the above, enhance overall organizational effectiveness by identifying and implementing opportunities to further delegate decision-making authority.	March 31 1992	Executive Committee	All Divisions
16. <u>Human Resources</u>			
a. Implement human resource planning, including position profiling and career planning, throughout the department. Human Resource planning will input into and support organizational planning, will assist staff in matching their skills and aspirations to career opportunities, and will facilitate staff development and recruitment.	March 31 1992	Admin	All Divisions
b. Commence implementation of new performance assessment systems.			
• Management Personnel	June 30 1990	Admin	All Divisions
• Other Personnel	Dec. 31 1990	Admin	All Divisions
17. <u>Internal Services</u> Complete implementation of plans of action developed to effectively manage our service resources (administrative functions) and achieve productivity gains by enhancing the control/responsibility of clients, and the quality of our services.			
• finance, personnel, and general services	March 31 1992	Admin	All Divisions
• information systems	March 31 1991	Planning & Development	All Divisions

PART 6

**Accomplishments
1989-90**

6. Accomplishments 1989 - 90

Alberta Transportation and Utilities has continued its long history of achievement. The following list of accomplishments relate to the objectives set forward by Executive Committee one year ago. The achievement of these objectives has been accomplished over and above the daily functions of the department and in the face of continued manpower and budget constraint. Contributions to the achievement of the objectives have not been limited to a few but have come from all the men and women throughout the department. Truly a team effort!

The following list of accomplishments are organized in the same way as they were initially listed in "Departmental Objectives" in Strategic Directions '89 - '91.

6.1 WHAT: For The Business We Are In

1. Finalize Secondary Highways Program

The major objective for this program, to pave the secondary highway system by the year 2000, was set out by the government in 1989. Regional Operations Division has focused on working with municipalities to define the schedule necessary to carry out this objective. A first draft of the schedule has been prepared and is now being actively discussed with all concerned. A final schedule will be ready by April 30, 1990.

2. Long Term Objectives for Primary Highways Programs

The emphasis for this objective has been altered slightly. Rather than long term objectives, the focus will be shifted to the development of a long term primary high-

way program with consideration to highway congestion, structural obsolescence, system expansion and system rehabilitation, and with input from the long range systems planning initiatives outlined below. Regional Operations will chair the committee responsible for development of alternate 5 to 10 year programs addressing the existing primary highway system.

3. Long Term Planning Process and Transportation Systems Plan

Planning and Development Division is spearheading the work to formulate a planning process and long term integrated transportation system plan. An approach involving inter-divisional cooperation, has been recommended and endorsed. A steering committee and working group, with representation from Engineering and Regional Operations are now developing the first phase of the plan. The resulting long range plan will provide guidance for operational planning, construction programming and long range priority setting.

4. Develop Long Term Planning Process

Support Programs Division has begun their work on a long term planning process by first defining, in a consistent format, each of their programs and all their annual activities. This database of time lines, objectives and policies provide the necessary groundwork for the realistic assessment of client needs and as well as a check list to verify the operations and interactions of the support programs.

5. Propose Highway And Driver Safety Initiatives

Motor Transport Services (M.T.S.) has produced a series of videos to present and explain the business that M.T.S. provides to the general public. The modular form of these videos allows the delivery of specific information to individuals or industries on the operational and safety implications of changes to the legislation and regulations administered by the Division.

Television promotions for safe driving and seat belt use have also been developed.

6. Accelerate Construction Program Planning

This objective was further broken down within the Engineering and Operations Strategic Plan to recognize the difference between grading, and base course and paving projects. The approach taken to ensure adequate time to prepare designs, contracts, etc. was to define 90% of the base and paving jobs for 1991 by the end of March 1990. Grading jobs would require two years of lead time, so grading jobs for 1992 were to be defined by the end of March 1990.

7. Review Programs Scheduled To Sunset

The objective here is to begin early review of programs scheduled to end, in order to allow sufficient time for the preparation of recommendations to government.

- Electricity Shielding Grant; Planning & Development - this program was ended in July 1989.
- Heating Fuel Rebate Program; Support Programs - the review of these programs is scheduled to be completed prior to September 30, 1990
- Farm Water Grant Program; Support Programs - this program is scheduled

for review prior to September 30, 1990, the first draft of a rigorous analysis is complete.

- Small Power R&D program; Planning and Development - this program was transferred to Alberta Energy, effective January 1990.
- Agricultural Processing Industry Grant Program - no action has yet been taken to evaluate the merits of this program.

8. Ensure the Continued Viability of the Electrical Utility Industry

These responsibilities have been transferred to Alberta Energy, effective January 1990.

9. Mitigate Environmental Impacts

A taskforce, chaired by Contracts Engineering Branch, is developing priorities and strategies to revise operating procedures, standards or current practices where changes could mitigate environmental impacts. This objective is also being supported through the applied research projects being managed by the Research and Development Branch.

A major initiative within the Motor Transport Services Division has been to train and certify all Transport Field Operations staff to provide effective coordination of dangerous goods operations and protect all highway users. Certified Motor Transport Services staff have also provided dangerous good training outside of the department.

6.2 WHO: For Our Client Relationships

10. Issues Management

A process whereby issues are raised in Executive Committee for discussion and initiation of action has been implemented. This process of early identification of issues has been rolled down and actioned also in the Divisional executive group levels.

11. Review and Strengthen Client and Public Input

Within Regional Operations, two parallel sets of actions are underway to enhance client input, one with local authorities and a second related to the general public. Public Communications Branch have also begun to revise and update the existing departmental communications plan.

The Support Programs Division worked very closely with cities, towns, villages as well as rural municipalities in the development of new road programs and in the administration of all the transportation and utility programs. In addition, preparation of a video concerning grant activity in the roadway industry is currently under consideration. As well, the division is implementing new project signage this year and will continue to use new and different ways to announce projects which receive funding from their programs.

Motor Transport Services Division is now using state-of-the-art voice recognition technology to provide the trucking industry with up to the minute information on road bans throughout the province, and has recently established a compliance information service to help clients select the proper equipment to "do the job right".

6.3 HOW: For Our Internal Efficiency

12. Strengthen Administrative Functions

Within the Administration Division, this objective has been divided into a series of actions. The first consists of those critical in the short term, with important progress in all areas:

Personnel

- Performance Appraisal System reviews
- Career Development / Human Resource Planning
- Management Compensation

Finance

- Financial Systems Implementation and Stabilization
- Financial Planning and Analysis
- Financial Reporting

General Services

- Facilities Management Program
- Fixed Asset Inventory
- Records Services

The second has been to improve existing levels of service and communications between the Administration Division and all operating divisions. Over the longer term, less Administration Division emphasis will be placed on providing processing support services, with the responsibility for these activities placed with operations management. With these activities appropriately decentralized to the operating areas of the department, the Administration Division will then focus on the establishment of policy and standards.

Information Systems

Within the Planning and Development Division significant progress has been made on enhancing client branch input and

control over the planning, development and implementation of information systems (computer hardware and software).

The Departmental Information Systems Committee (DISC) was established with representation from all Divisions, to recommend information systems priorities, policies and budgets to Executive Committee.

A consultant study on departmental policies for the management of the information systems resources has been completed and reviewed by DISC and Executive Committee. It recommends:

- that clients should play a stronger role in the management of systems projects;
- that, consistent with the above, systems projects should be budgeted and funded on a user-pay basis.
- that certain changes should be made to the structure of the Information Systems Branch to enhance service to clients and the planning and management of information systems.

These recommendations are now being developed into action plans for implementation.

13. Implement a Departmental Internal Audit Function

The implementation of the departments internal audit function is well underway. Having received Deputy Minister approval for the role of Internal Audit in the department, Internal Audit Services is currently developing audit guides in consultation with Divisional management.

To ensure the independence of the Internal Audit function, the Executive Director reports to the Deputy Minister who chairs an audit committee made up of the members of Executive Committee.

14. Develop and Implement Changes to Our Performance Assessments

This objective has been dealt with by the Personnel Branch through the Human Resources Advisory Committee. Proposals for modifications of the application of the systems were based on the feedback received from questionnaires sent to all managers. Recommendations for change to the management system will be taken to Executive Committee for final review and approval.

The Human Resources Advisory Committee also recommended changes to the employee performance appraisal system which were sanctioned by Executive Committee. Pilot projects are underway to validate the changes. Once validation is complete the Executive Committee may approve implementation of the system.

15. Develop and Implement a Rewards and Recognition Program

The Rewards and Recognition sub-committee of the Human Resources Advisory Committee have developed recommendations which recognize employees for long service and distinguished performance. Decisions surrounding the refinement, and proposed implementation of the recommendations, will be taken back to Executive Committee for final approval and implementation.

16. Develop and Implement a Position Profiling/Career Planning Process

Under the guidance of the Human Resources Advisory Committee the objectives of position profiling and human resource planning were divided into two phases, the first phase was to establish a planning process. This portion of the project is now

being tested in two branches. Once testing is complete the plan will be presented to the Executive Committee for final approval and usage. The methodology used to develop position profiles is in the validation stage. A progress presentation has been made to the executive who have sanctioned the work done to date. The personnel branch will utilize the profiling process to complete position profiles for top level management positions by May 15, 1990.

17. Review the Strategic Planning Process

Input from Focus Groups has suggested refinements to the existing cycle, (timing of strategic planning sessions vis-a-vis performance and budget deliberations), and objectives to maintain the strategic focus of the process.

PART 7

Acknowledgements

7. Acknowledgements

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